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Federal Regulatory

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EX PARTE OR LATE FILED

December 9, 1998

NOTICE OF EX PARTE PRESENTATION

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DEC - 9 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Re: *In the Matter of Applications for Transfer of Control to SBC
Communications Inc. of Licenses and Authorizations Held by
Ameritech Corporation, CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that yesterday, Stephen M. Carter, President-Strategic Markets, SBC Operations, Inc. and the undersigned met with Commissioner Michael K. Powell and his legal adviser, Kyle Dixon, in connection with the above-referenced pending applications. The purpose of the meeting was to introduce Mr. Carter and describe his new position as president of strategic markets. At the conclusion of the meeting, we provided the attached documents for background and additional detail.

In accordance with the Commission's rules governing ex parte presentations, an original and one copy of this notification are provided herewith. Please call me directly should you have any questions.

Respectfully submitted,

Attachments

cc: The Hon. Michael K. Powell
Kyle D. Dixon, Esq.

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The SBC Communications – Pacific Telesis Merger

*Working
for
California*



Fall 1998

SBC and Pacific Telesis: The Benefits of a Merger

When SBC Communications merged with Pacific Telesis, the parent company of Pacific Bell in April of 1997, there were questions. Would the merger be good for consumers? Would the merger result in higher prices and poorer service? Would the company still support communities? Would the company remain a technological leader, investing in its employees, its network and the California economy?

A little more than a year after the merger, the results are clear. The merger has had a substantially positive effect for Pacific Bell customers, employees and communities:

- ***More jobs.*** More than 2,200¹ net new positions — twice SBC's original commitment — have been created in California since the merger closed. In addition, SBC has created more than 2,300 new jobs outside of California since then.
- ***Commitment to improved service.*** Installation times statewide have been reduced by almost half (43%), while Pacific Bell's repair times have held steady. In some regions, there has been tremendous improvement. In the Bay Area, second-line installations have improved 80% and repair times improved 60%.
- ***Basic service prices have remained unchanged.*** Pacific Bell prices for basic local service for residential and business customers have remained unchanged in California since the merger.
- ***Competition has been promoted.*** Local competitors have obtained nearly 1 million access lines in California (more than in any other state) demonstrating that they have a meaningful opportunity to compete.
- ***Commitment to communities.*** 1997 charitable and community contributions of \$9 million exceeded the 1996 pre-merger total of \$7.6 million. In 1998, total contributions will at least double 1997's total.
- ***Investment in facilities.*** Pacific Bell's investment in its network increased since the merger and it will spend more than \$2 billion this year to expand its telephone network.
- ***Expanded products and services.*** The company has introduced new products and services and has begun rolling out its high speed data offering, ADSL, to more than 200 California communities — the broadest rollout of this high-speed Internet access technology anywhere in the country.
- ***Creative approaches to social issues.*** Pacific Bell has pledged to spend \$50 million to support technologically underserved communities. That program is under way, and Pacific Bell has already given \$10 million for the first two years.
- ***Commitment to diversity.*** Pacific Bell purchases 25 percent² of all supplies and services from businesses owned by minorities, women or disabled veterans, an increase since the merger.

Employment

Prior to the merger, the Pacific Telesis family of companies, including Pacific Bell, was experiencing a trend of declining employment.

Once SBC entered the picture, the hiring picture began to shift significantly. The number of jobs began to climb.

Since the merger, Pacific Bell and its affiliated companies created more than 2,200 net new jobs in California. In 1997, the Pacific Bell companies created more new jobs than the five other largest employers in California combined, according to the state Employment Development Department.

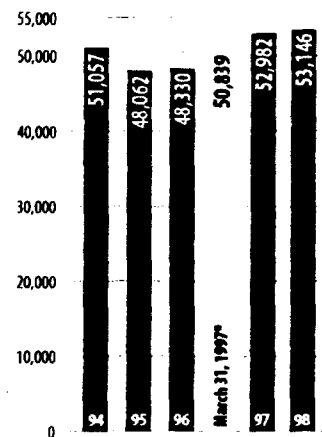
Most important, SBC made the commitment to staff up in the areas most critical to maintaining and enhancing customer service. Anticipating severe winter weather because of the El Niño effect, Pacific Bell decided to hire and train an additional 300 field service technicians in advance of the storms. This investment in people paid off as Pacific Bell was able to meet record demands for service restoration caused by the intense series of storms.

Pacific Bell also has added hundreds of jobs in other critical positions such as customer service representatives, maintenance splicers and construction technicians in order to meet the growing demand for telecommunications products and services. The company has quadrupled its construction splicing workforce in the Silicon Valley area over the 1997-98 period.

In addition to the Pacific Bell jobs expansion, SBC is expanding its corporate operations in California. The company has delivered on its commitment to base its long-distance, internet, and corporate and administrative services operations in the state. In addition, the company's directory, Asia/Pacific and Pacific Bell Mobile Services operations are also headquartered in California.

SBC's focus on growth throughout the company has resulted in thousands of new jobs in and out of California. Since the merger with Pacific Bell, overall employment at SBC has grown by nearly 4,600.

**End-Of-Year
Force Counts**
1998 is based on
October 9, 1998 data



*SBC-Pacific Telesis merger effective April 1, 1997

Business Growth and Service Commitments

The telecommunications revolution is driving the demand for new telephone lines to new levels. In 1997, Pacific Bell added 800,000³ new phone lines, more than double the annual total from just a couple of years ago. In the first nine months of 1998, the company installed an additional 551,000⁴ new lines.

The growth in lines is particularly strong in the Bay Area, where both business and residential customers are demanding more lines and faster data transmission speeds. It is not unusual for a home in the Silicon Valley to have two, three or even four phone lines to meet the work-at-home and recreation needs of consumers. It is estimated that an astonishing 40 percent of all Internet traffic goes through California.

The growth of business lines has been fueled by a strong economy that is driving usage well into double-digit annual growth rates. Businesses have a surging need for data trunks. Pacific Bell has responded to this demand by increasing the number of digital switches by 8%, SONET fiber rings by 150%; miles of fiber strands by 84%; ISDN lines by 66% and frame relay ports in service by 91%.

Despite these unprecedented demands for customer service, Pacific Bell has provided high-quality service for its customers since the SBC merger. Service times have improved despite one of California's wettest winters ever.

In fact, Pacific Bell has met its service quality performance measures as required by the California Public Utility Commission's order approving the merger. Among other things, the order required the company to:

- Maintain or improve its service quality over the five years following the merger.
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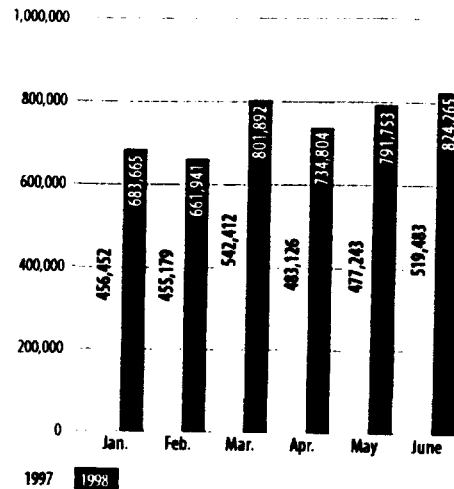
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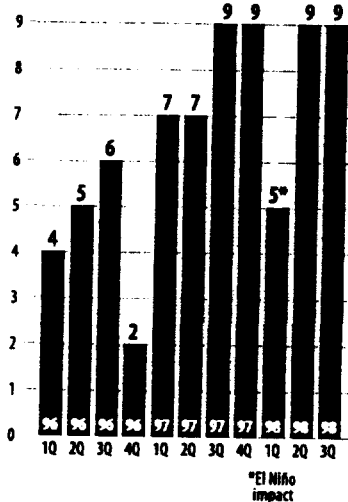
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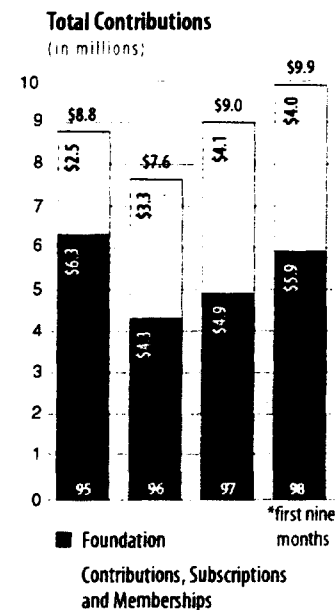
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As part of this commitment, the company increased its contributions budget for local and regional community activities by more than \$1.5 million. An additional \$1 million has been earmarked for disadvantaged communities.

The story isn't just in the numbers, however. These contributions are invested in programs that bring real benefits to the lives of people who live in our service areas. Here are what some Californians are saying about SBC/Pacific Bell's participation:

- "Pacific Bell is more involved now than ever. Since the merger, they have increased their financial support for us." *Lou Dantzler, Challenger Boys and Girls Club, South Central Los Angeles.*
- "Pacific Bell's \$50,000 contribution is helping us target at-risk Latino youth to help keep them in school. I can't say enough about the strong effort that Pacific Bell and SBC have made." *Marine Dominguez, president, Hispanic Education and Media Group, San Jose.*
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For 1998, Pacific Bell's budget calls for spending of \$7.14 billion in operating and capital expenses, an increase of \$530 million (up 8 percent) over the pre-merger year of 1996.

This investment ensures reliability (up to 99.99 percent of the time) and durability to protect against the effects of floods, fire and earthquakes.

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Benefit to Employees

Besides being good for consumers and the public at large, the SBC merger has benefited Pacific Bell employees. Pacific Bell employees are now part of a stronger, growing company which offers employees increased career opportunities.

This year, Pacific Bell reached early contract agreement with its principal labor union, the Communications Workers of America. Working with the CWA and others, the company designed new and more lucrative incentive compensation plans for its customer service representatives.

Following the SBC merger, Pacific Bell increased the company match to the employee savings plan — from 67 percent to 80 percent.

And significantly, far more employees are also now part-owners of the company. Since the merger, 15,000 California employees are now offered stock options. Previously, only a very few had that opportunity.

"Our new labor contract with Pacific Bell acknowledges the real contributions our members make to SBC's productivity and ensures that our members will share in its success."

*Tony Bixler, vice president,
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Creative approaches to social issues.

As part of its merger commitment, SBC/Pacific Bell has pledged to spend \$50 million to support technologically underserved communities. That program, called the "Community Partnership Agreement," is under way, with the goal of bringing new technologies to all customers and to make sure that everyone has access to the information age. Pacific Bell has given \$10 million for the program's first two years.

Pacific Bell also has created a Universal Service Task Force. Over the next seven years, the task force will work toward a goal of increasing telephone penetration to 98 percent of disadvantaged populations. The program also includes a research element that will help track and guide the effort to achieve success.

Commitment to diversity.

Pacific Bell's mission is to meet its customers' needs for telecommunications service. Understanding the changing needs of customers is a priority.

Part of the solution is for the company's workforce to reflect the diversity of the people who live in its service territories. Pacific Bell's workforce is richly diverse.

But that commitment extends beyond the workforce, too. Today, 25 percent of Pacific Bell's procurement dollars go to vendor businesses owned by minorities, women and disabled veterans, an increase since the merger. Pacific Bell has been acclaimed as a corporate leader in supporting these firms through engaging in business relationships.

Shareholder Value

The ultimate test of a merger is whether it enhances value for the shareholders. And the stock market performance demonstrates that the SBC merger has rewarded shareholders.

Pacific Telesis shareholders have realized a significant gain with the merger. They have joined all other SBC shareholders in experiencing a stock price appreciation of 76 percent¹¹ since the merger.

And because more than 90 percent of Pacific Telesis employees held stock, the company's financial performance has translated into gains for the vast majority of its workforce as well.

Conclusion

SBC's merger with Pacific Bell has been good for consumers, employees and the communities it serves. Pacific Bell has more than lived up to commitments it made at the time of the merger by expanding hiring and making contributions that exceed the original pledge.

Since the merger, Pacific Bell has provided quality customer service in critical areas of installation and repair and has invested heavily in California. Prices for basic local service have not been increased. At the same time, competition in the local markets has increased. The company has taken a corporate leadership position in many areas that are important to its customers and their communities.

For more than 100 years, Pacific Bell has been California's "home team." Through its merger with SBC, Pacific Bell's resources have been strengthened and its commitment to California has been intensified.

Notes:

¹October 9, 1998 SBC CENET (Centralized Employee Table)

²MWDVBE 1997 Annual Report, Plan and Cost Exhibit filed with the CPUC

³SBC 1997 Statistical Profile, page 40

⁴SBC Third Quarter 1998 Financial Report

⁵Pacific Bell Performance Actuals as of June 7, 1998

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⁷1996 and 1997 GO-133 Reports filed with the CPUC

⁸SBC Third Quarter 1998 Financial Report

⁹SBC 1997 Statistical Profile, page 47

¹⁰Based on SBC share price of \$46.31 on October 31, 1998

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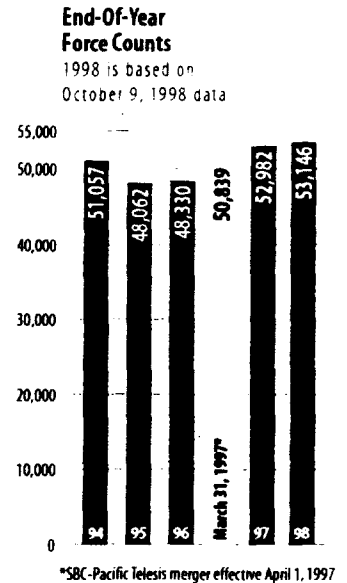
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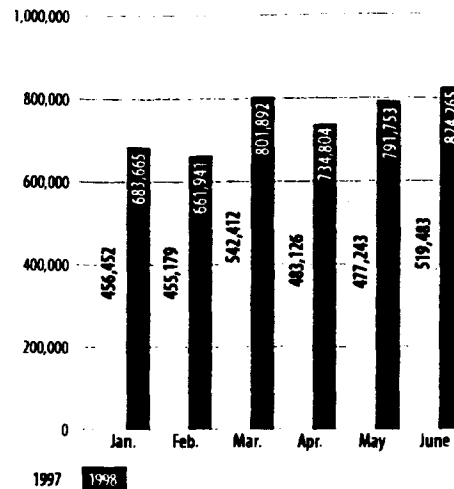
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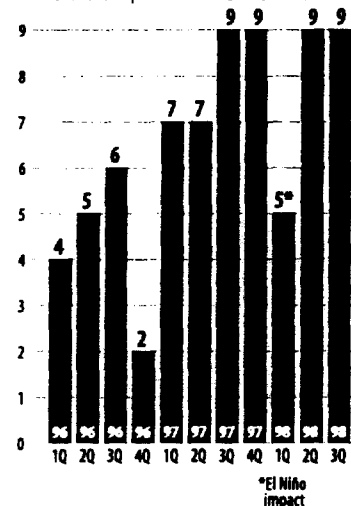
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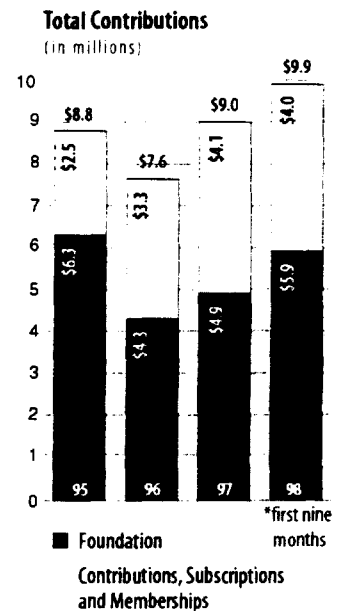
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Following the SBC merger, Pacific Bell increased the company match to the employee savings plan — from 67 percent to 80 percent.

And significantly, far more employees are also now part-owners of the company. Since the merger, 15,000 California employees are now offered stock options. Previously, only a very few had that opportunity.

"Our new labor contract with Pacific Bell acknowledges the real contributions our members make to SBC's productivity and ensures that our members will share in its success."

*Tony Bixler, vice president,
Communications Workers
of America.*

Creative approaches to social issues.

As part of its merger commitment, SBC/Pacific Bell has pledged to spend \$50 million to support technologically underserved communities. That program, called the "Community Partnership Agreement," is under way, with the goal of bringing new technologies to all customers and to make sure that everyone has access to the information age. Pacific Bell has given \$10 million for the program's first two years.

Pacific Bell also has created a Universal Service Task Force. Over the next seven years, the task force will work toward a goal of increasing telephone penetration to 98 percent of disadvantaged populations. The program also includes a research element that will help track and guide the effort to achieve success.

Commitment to diversity.

Pacific Bell's mission is to meet its customers' needs for telecommunications service. Understanding the changing needs of customers is a priority.

Part of the solution is for the company's workforce to reflect the diversity of the people who live in its service territories. Pacific Bell's workforce is richly diverse.

But that commitment extends beyond the workforce, too. Today, 25 percent of Pacific Bell's procurement dollars go to vendor businesses owned by minorities, women and disabled veterans, an increase since the merger. Pacific Bell has been acclaimed as a corporate leader in supporting these firms through engaging in business relationships.

Shareholder Value

The ultimate test of a merger is whether it enhances value for the shareholders. And the stock market performance demonstrates that the SBC merger has rewarded shareholders.

Pacific Telesis shareholders have realized a significant gain with the merger. They have joined all other SBC shareholders in experiencing a stock price appreciation of 76 percent¹¹ since the merger.

And because more than 90 percent of Pacific Telesis employees held stock, the company's financial performance has translated into gains for the vast majority of its workforce as well.

Conclusion

SBC's merger with Pacific Bell has been good for consumers, employees and the communities it serves. Pacific Bell has more than lived up to commitments it made at the time of the merger by expanding hiring and making contributions that exceed the original pledge.

Since the merger, Pacific Bell has provided quality customer service in critical areas of installation and repair and has invested heavily in California. Prices for basic local service have not been increased. At the same time, competition in the local markets has increased. The company has taken a corporate leadership position in many areas that are important to its customers and their communities.

For more than 100 years, Pacific Bell has been California's "home team." Through its merger with SBC, Pacific Bell's resources have been strengthened and its commitment to California has been intensified.

Notes:

¹October 9, 1998 SBC CENET (Centralized Employee Table)

²MWDVBE 1997 Annual Report, Plan and Cost Exhibit filed with the CPUC

³SBC 1997 Statistical Profile, page 40

⁴SBC Third Quarter 1998 Financial Report

⁵Pacific Bell Performance Actuals as of June 7, 1998

⁶Pacific Bell Performance Actuals as of June 7, 1998

⁷1996 and 1997 GO-133 Reports filed with the CPUC

⁸SBC Third Quarter 1998 Financial Report

⁹SBC 1997 Statistical Profile, page 47

¹⁰Based on SBC share price of \$46.31 on October 31, 1998

The SBC National-Local Strategy

Ameritech is a key part of SBC's 3-Part Strategy

- Get in the **long distance** business
- Become a world leader in **data** communications
- Expand **footprint** to become a national & global provider
 - Ameritech makes possible an expansion into 30 markets

“The National Local strategy is not a means to the merger. The merger is a means to the National Local strategy.”

SBC-Ameritech Merger Creates

- **A coast-to-coast and global provider competing aggressively with ...**

AT&T/TCI MCI/WorldCom Sprint Bell Atlantic/GTE
Bell South US West Dozens of CLECS

- **In contrast to others, we plan to serve residential as well as business customers**
 - **New alternative for 70 million Americans in the 30 out-of-region markets wanting integrated mix of ...**
 - **Local, long-distance, Internet and high-speed data services**

SBC-Ameritech Merger Creates

- A new American company that can compete globally with
 - AT&T Sprint
 - MCI/WorldCom Deutsche Telekom
 - NTT France Telecom
- Jumpstarts intense competition in local and long distance markets like nothing has before

Why doesn't SBC do this alone?

- Scale and scope
- Customer base
- Employee talent pool
- Size
 - SBC/Ameritech CLEC will be bigger “at birth” (\$1.3 billion) than MFS after 9 years (\$1.1billion) when it was bought by WorldCom

Why doesn't SBC do this alone?

Need combined company human resources

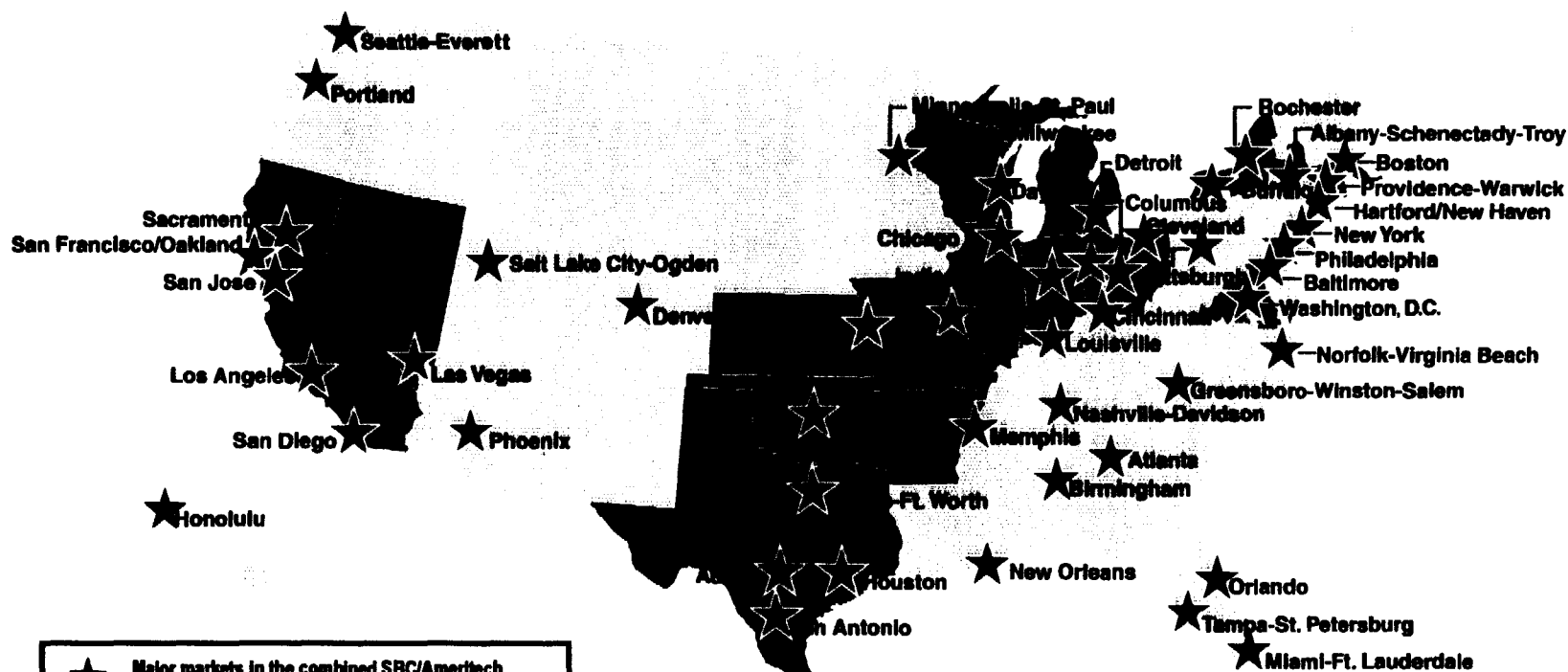
- Severe industrywide shortage of skilled employees and managers
 - 2,500 unfilled SBC management openings today
- National local will require 8,000 employees
- SBC alone ... would have to devote 16% of all managers. 36% of Ameritech managers
- Together, SBC/AIT devote only 8% of all managers

Why doesn't SBC do this alone?

- Spreading Shareowner risk
 - Investors throw money at new CLECs on the promise of future cash flow growth -- *not earnings* -- and prospect they will be acquired
 - Different standard for Large, established companies
 - We must deliver earnings from new CLEC operations with very little dilution
 - Combined SBC/AIT customer base that we can follow to 30 markets ...
 - Gets us off to a good start in those markets
 - Able meet our shareowners' earnings expectations

National Local Strategy

Top 50 U.S. markets



- ★ Major markets in the combined SBC/Ameritech territories
- ★ Major markets* where the combined SBC/Ameritech plans to compete as a result of the merger

Bringing Real Local/Long-Distance Competition to:

AT&T	Frontier	Sprint
Bell Atlantic	GTE	US West
BellSouth	MCI	WorldCom

New Services Provided:

Local	Internet
Long Distance	Data

*Cities subject to change



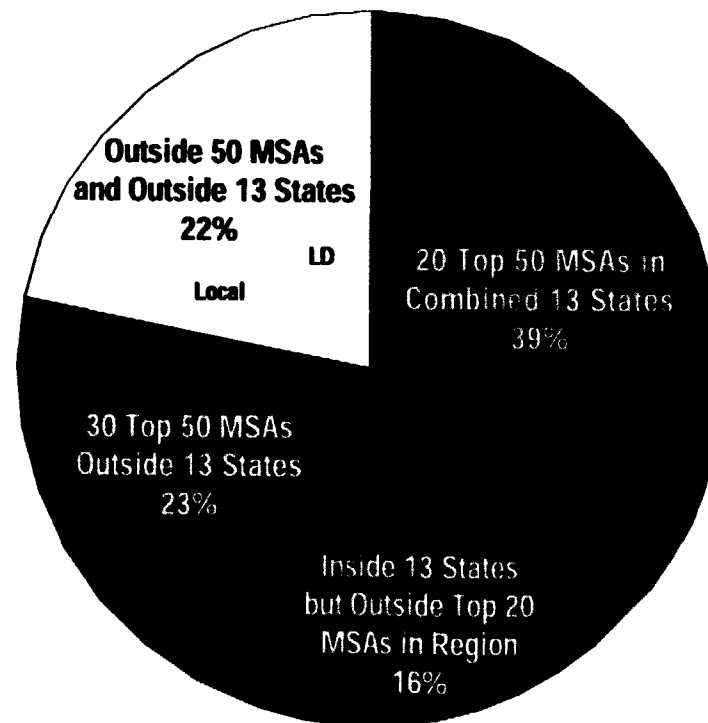
National - Local: Marketing

"Follow" large corporate customers based in 13 state region served by SBC/Ameritech/SNET

- 224 Fortune 500 companies are headquartered in these 13 states
 - They have **173,761** locations across the U.S.
 - They spent about \$4.8 billion for local and long distance services in 1997

We need coverage of 70% to 80% of these companies' expenditures to have an opportunity to compete

Total LD and Local Spending for 224 of Fortune 500 with Headquarters in SBC/Ameritech/SNET Territory



National - Local: Marketing

- Quickly follow our customers to the 30 markets
- Go after other business customers
- Go after residential customers

National - Local: Marketing

- **We can compete for local service**

- A century of providing local service
- Customer service
- Best marketing of vertical services
- Attractive packages to high-volume users: local, long-distance, Internet, high-speed access
- Not limited to high-income residential areas
 - High volume residential users are equally distributed across all income levels

National - Local: Network

Latest and greatest

- Facilities based
- Build, Buy, Partner or Rent
 - Use unbundled loops -- particularly for residential customers
 - Limited use of Resale
- Starting now allows us to select only the latest state-of-the-art voice, Internet and data technologies
 - Built on an Internet Protocol, ATM and Frame Relay platform

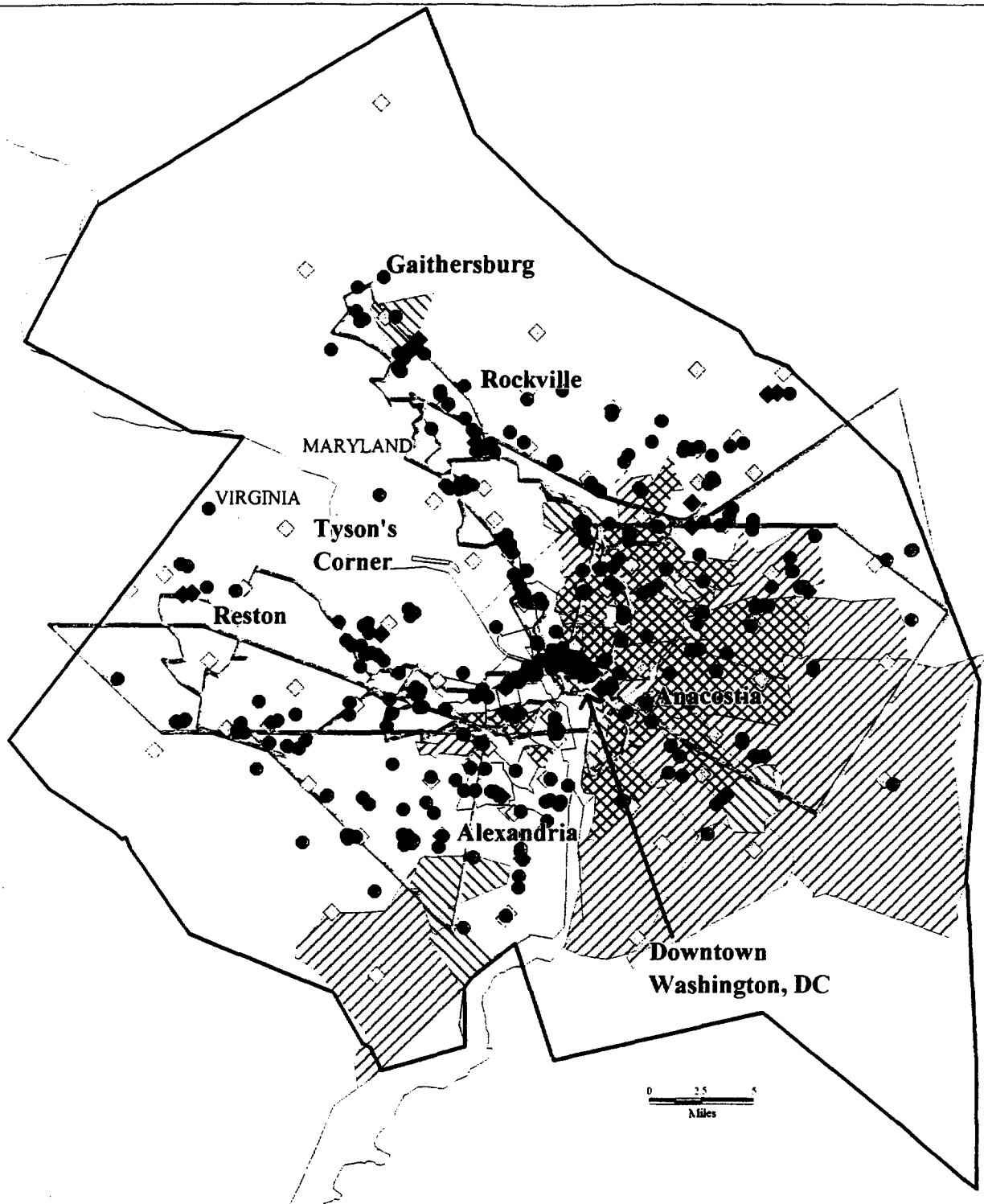
National - Local: Poised to Enter

Representative Market Entry

Washington, D.C.

- Existing fiber facilities are close to our targeted business customers
- With limited expansion can be extended to residential customers including a significant number of low income/minority customers

SBC National Local Strategy Representative Entry Washington, DC



- TOP 25% OF AREA ZIP CODES IN TOTAL POPULATION DENSITY
- ▨ BOTTOM 25% OF AREA ZIP CODES IN HOUSEHOLD INCOME
- ▩ TOP 25% OF AREA ZIP CODES IN PERCENT NON-WHITE
- ◇ ILEC SWITCH
- ◆ CLEC SWITCH

- REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED IN SBC/AMERITECH'S REGION
- REGIONAL OFFICE OF FORTUNE 500 COMPANY HEADQUARTERED OUTSIDE SBC/AMERITECH'S REGION
- CLEC FIBER ROUTES (MFS/WORLDCOM, AT&T/TCG)

- WASHINGTON, DC METRO AREA
(Includes the District of Columbia; Arlington, Fairfax, Montgomery, and Prince George's Counties; Cities of Fairfax, Alexandria, and Falls Church)

Where We Stand Now

- Key executives are in place
 - Stephen Carter, President Strategic Markets
 - VP & General Manager - Operations
 - VP & General Manager - Strategic Markets
 - VP & CFO
 - VP Regulatory
 - Building implementation teams
- Talking to in-region, Fortune 500 customers
- Talking to existing CLECs with capacity, other suppliers

Where We Stand Now

- **Countdown to Entry -- “Critical Path” Developed**
 - Refining comprehensive business plans & specific entry strategies
 - Regulatory filings
- **Expect to close merger and begin implementing national-local strategy 2nd half 1999**